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Speeches and Major Press Releases

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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture Bob Bergland at Millsaps College, Jackson, Mississippi, September 13, 1980

DANGEROUS CERTAINTIES

Whenever I'm asked to speak on a college campus, I'm flattered--and I'm a little awed. Especially when the college is as prestigious as this.

You see, I don't have a college degree. I had to drop out of the University of Minnesota after two years. Times were tough and I had to go back home to work the farm.

I don't say that to play on sympathy or to practice some kind of reverse snobbism. It's simply a statement of fact.

It is also fact that there can be an advantage to a stinted formal education. It deepens appreciation of the opportunity to learn and it fires determination to find those opportunities wherever they exist--outside as well as inside the classroom.

Learning, as we all know, can be an exalting experience.

But it ought to be a humbling experience, as well.

The truly wise men and women I know are humble people. They know how little they know. And how much remains to be learned.

In recent years I have come to believe that the fate of our nation may well depend upon how humble our leaders are in the face of their own ignorance.

I say that, my friends, because there are no longer any easy answers to the problems and the challenges that confront America.

Those who tell you there are easy answers are deceiving themselves; they're deceiving you--and they are endangering our nation.

There was a time when we could afford to risk the consequences of easy answers and simplistic solutions. At least we thought we could.

Those were the days when we could still push back frontiers to give us more breathing room, to give us space to relieve the social problems of congestion and the economic problems of too few resources to sustain too many people.

That was a time when it seemed as if we had unlimited resources and power to throw at problems until they were solved and at enemies until they were vanquished.

That was a time when the tools of science and technology were just beginning to be used to make us healthier and wealthier.

But those days are gone.

There are no more frontiers to push back.

We've learned that there are limits to our natural resources.

We've learned there are limits to our vaunted power.

And we've learned that even the liberating force of applied science and technology sometimes turns out to have bad results we neither foresaw nor desired.

While we were learning these painful lessons, we were undergoing political and social upheavals that changed us as a nation and as a people from what we were just a quarter of a century ago.

Question:

How do we cope with these new realities, these wrenching changes that now pose problems of unprecedented complexity?

We can go either of two ways.

We can be arrogant and reckless. Or we can be humble and judicious.

We can scorn all the warning signs about diminishing resources and continue to squander them; we can ridicule the obvious dangers to our environment and continue to poison it; we can scoff at the genocidal certainty of nuclear war and resume an arms race that no one can win and everyone will lose.

Or--we can carefully husband our resources to sustain us until we develop others to take their place; we can carefully balance the needs of economic growth with the need to protect the environment; we can continue to work toward an arms control agreement that would lessen the risk of catastrophic war.

Now it may seem clear to you that the first choice is based on emotion; the second on knowledge and reason. But that is not an easy distinction for others to make in these frustrating times.

Many Americans are anguished, uncertain, fearful of their own future, fearful that their country's new restraint in a dangerous world means we have lost status and power; fearful that the social changes of

the last few decades have undermined the values they hold most dear.

Understandably, they yearn to hear someone say we can change all that; say we can bring back times that perhaps never really were; say there are simple answers and easy solutions. It's human nature to yearn for clear cut choices, confident assurances, doubt-free leadership.

But those who prey on that yearning are playing a most dangerous game.

Nearly three years ago, a man from my part of the country warned us about this in his final broadcast as the dean of the CBS-TV news department.

On the eve of his retirement, Eric Sevareid went on the air to caution us not to listen to those who preach "dangerously passionate certainties."

Not only does what they preach defy reason, he said, what they are doing is socially divisive and filled with risk.

He warned that their conclusions are based on a few carefully selected facts or suspicions and, are therefore, out of touch with reality.

I could offer you examples of what Mr. Sevareid was talking about in 1977, but for the sake of timeliness let me cite two more recent instances from my own experience.

A year ago last spring, someone came up with the idea that we could force the OPEC nations to reduce the price of the oil they export to us by raising the price of the wheat we export to them to a comparable level.

You saw the bumper stickers that sprouted up all over the place--"A Bushel of Grain for a Barrel of Oil." You heard Paul Harvey talk about it on the radio. You probably heard the song "Cheaper Crude or No More Food."

The proposal had a lot of appeal. It appealed to patriotism. It appealed to a desire to get even with OPEC. It appealed to the natural desire for higher wheat prices.

The trouble was, it simply didn't make sense because it was out touch with reality.

In the first place, raising the price of our wheat to match the price of OPEC's oil would have priced us right out of competition with other wheat exporting countries. Wheat can be grown in about 130 countries besides our own. We may be the biggest exporter, but we have less

than half the wheat export market.

So "Cheaper Crude or No More Food" was an idea whose time had not come. Let me turn to a more recent example.

I'm sure you've heard it said many times in recent months that the partial suspension of grain sales the President ordered to rebuke the Soviet Union for invading Afghanistan has not hurt the Soviets but has hurt the American farmer.

You've heard it said with adamant certainty in the halls of Congress and you've read it in certain newspapers.

Is it true?

It is not.

In the first place, the charge is a contradiction in terms. If the amount of grain we withheld from the Soviets had little or no impact on them, how could it have hurt our farmers as much as the critics claim?

The charge has undeniable political appeal, but it is based on biased assumptions that will not hold up when all the facts are on the table.

It is true that for the first few weeks and months of the suspension there was little visible sign of its impact on the Soviets. But that has changed. Indeed, the change is more dramatic by the week.

By every account--our own intelligence, official Soviet statistics, and reports by the media--the grain sale suspension has forced the Soviets to pay premiums for grain imports, is a source of labor unrest in that country, and a political embarrassment to the Kremlin because it points up the flaws and failures of the Russian food and agriculture system. What is more, the aggravation seems certain to grow, because Soviet grain harvests this year will fall short of expectations.

This is why I told the National Governors' Association that ending the grain sale suspension now--just when its impact is being felt the most--would demean us as a people, compromise the integrity of our foreign policy, and in time risk our national security.

Lifting the suspension before the Soviets show any sign of recanting surely would be viewed by the Kremlin as clear evidence of American greed or of weakness of will.

Well, if the suspension is proving to be an effective rebuke of Soviet aggression, what about the second half of the critics' charge--that it has badly hurt the American farmer?

It is true that grain prices slumped after the suspension was invoked last January.

But is it true that the suspension is the only--or the major--cause?

It is not. Grain prices, for instance, are determined more by weather and by yield than by any other factor.

Government does not control the weather. Neither does government tell farmers how much they can produce. Not any more.

Last year we had the most favorable growing weather in several decades and record harvests for all five major crops.

We knew what those record yields would mean to the market, and the drop in grain prices that occurred early in 1980 months before the President ordered the grain sale suspension was expected.

What is more, the variety of actions ordered by the administration to ease the burden of the suspension on American farmers--ranging from direct government purchase to government assumption of export contracts to greater incentives for farmers to store more grain in their own reserve--resulted in the removal from the marketplace of more grain than was originally scheduled to be sold to the Soviets.

I might point out here, incidentally, that this marked the first time in the history of U.S. embargoes that an administration has taken any action whatsoever to protect American farmers from the impact.

Finally, let me point this out: The Soviet Union market for our farm exports has never been that big or that reliable because it is determined in large number by the success or failure of Soviet crops.

The truth is that even with the curtailment of sales to the Soviets, U.S. farm exports are expected to rise to \$40 billion in 1980, 25 percent greater than the all-time record set in fiscal 1979, and the largest year-to-year increase in the history of our nation.

At the same time, our agricultural trade surplus is forecast to rise by 40 percent, to more than \$22 billion. This also is the largest year-to-year gain in history. And that's important to American consumers as well as producers, because that surplus helps keep the lid on inflation. What's more, we look for this trend to continue into fiscal 1981, with prospects for farm exports as high as \$45 billion and an agricultural trade surplus approaching \$25 billion.

American farmers send into export about a fourth of their total product by value. I don't know of another major sector of American

commerce that contributes so high a share to the strengthening of our position in the world economy. By the same token, American farmers depend on the export market for a major part of their income.

Because of this, and because agricultural trade generates millions of jobs--on the farm and throughout the economy--the expansion of export markets for our farm products continues to be a major goal of this administration. It was a major goal in 1978 when the Agricultural Trade Act became law. It remains a major goal today.

What that effort to expand farm product export markets abroad means to your own state of Mississippi can be illustrated with a few figures. Soybeans, cotton and rice make up four-fifths of the farm products Mississippi sells to foreign customers. Four years ago your total sales abroad came to \$399 million. By fiscal 1979, those sales had risen to \$771 million, and we're now projecting that in fiscal 1980 the value of Mississippi farm products sold abroad could reach the billion dollar mark.

Agriculture here in Mississippi and throughout the country is moving out of an era where we were plagued with surpluses and into an era where virtually everything we grow will find a market somewhere.

Right now we are recording the largest gain in the export of farm products since that trade began at Jamestown in the early 1600's. And that expansion is broadly based. Every commodity group is sharing in the increase--grains, oilseeds, cotton, fruit and vegetables, tobacco, livestock, dairy and poultry. And these are solid gains that we can maintain and build upon.

The expansion of exports is one of the major reasons why gross farm income, net farm income, farm production, farm product consumption and farm assets all total more for the last three and a half years than for any prior comparable period in American agricultural history.

We're proud of that record.

But we know that we have to keep on learning if we want to build upon it.

We know that the farm policies and programs that helped write that record may not be the same policies and programs that will work in the future. We know that because time doesn't stand still. And neither does the world we live in.

The problems and the challenges of the Eighties and beyond will be different--and most likely harder--than those we confronted in the Thirties, the Fifties and the Seventies.

Let me just pose one of those problems to show you what I mean.

How do we meet an expanding demand for farm products at home and abroad while protecting our prime farmland base? Some of these acres are being lost to shopping centers, roads, and housing tracts.

At the same time, we have an erosion rate exceeding ten tons per acre per year on 35 million acres of land devoted to the production of grain crops.

Our system of agriculture is water intensive, technology intensive, fuel and fertilizer intensive.

But the aquifers that make irrigated farming so important in the west and southwest are being drained faster than they are being replenished, and water consumption will continue to increase over the next 50 years.

The rate of technological progress in agriculture--which always spurred earlier increases in productivity--shows signs of slowing down.

And our proven reserves of oil--which provides farming's fuel and fertilizer--have declined more than 25 percent since 1970 and prices have soared.

Future farm policy must face up to these problems and many more, including evidence that modern policy--despite its many successes--has not always served its stated goals, has tended to help most those who needed help the least, and has been more reactive than anticipatory, and more patchwork than comprehensive.

So there are only hard questions and tough problems and new challenges ahead, my friends. And no easy answers.

We can answer those questions and solve those problems and meet those new challenges.

But not if we heed those who are arrogant and reckless and filled with dangerously passionate certainties, for that is the path to disaster.

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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Announcement by The President of agricultural credit guarantees to Poland, Briefing Room, The White House, Washington, D.C., Sept. 12, 1980

Good Afternoon. The Government and the people of the United States have watched with concern and with hope as events have unfolded in Poland in recent days. Our response has been careful, constructive, and prudent. All of us have sympathized with the aspirations of the Polish people. All of us are glad that the crisis in Poland's evolution appears to be on its way to a peaceful and constructive resolution.

These events touched the emotions of all who care about the rights and dignity of people. There was progress. There's also continued economic dislocation. Now there's a need, the most basic kind of need, the need for food. On behalf of the American people I'm acting on an urgent basis to help meet that need for food.

I've directed today the U.S. Department of Agriculture to extend \$670 million in a new credit guarantees to Poland for the purchase of agricultural commodities. In plain language this means that the American people and American farmers will guarantee loans to sell some 4 million tons of grain and other farm products to the people of Poland.

I'd like to say just a word about why we are doing this. In taking this action the Government of the United States is responding quickly and completely to a request from the government and the people of Poland. But in a deeper sense we are responding to the moral obligation that's rooted in the fundamental beliefs of the people of the United States and the people of Poland.

This action is a significant proof of the solidarity between the American people and the Polish people. It's an expression of our admiration for the dignity with which the entire Polish nation, the

workers, the government, and the church, is conducting itself during this difficult time of evolution and change. It's a demonstration of our willingness to use our greatest material asset, the bounty of the American earth, for humanitarian and constructive reasons.

Finally, it's a manifestation of the undiminished belief that a central human reality, the yearning for basic human rights, is one of the most powerful and constructive forces in the world and our support for it is more than just a matter of words. Thank you very much.

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Fact Sheet

U.S. Department of Agriculture • Office of Governmental and Public Affairs

WHITE HOUSE FACT SHEET POLISH AGRICULTURAL CREDIT GUARANTEES September 12, 1980

President Carter today announced approval of \$670 million in Commodity Credit Corporation (CCC) credit guarantees to the government of Poland to buy American agricultural commodities in the fiscal year, beginning October 1, 1980.

USDA export assistance is provided under the CCC Non-Commercial Risk Assurance Program. This program provides assistance to U.S. exporters to increase U.S. exports and to meet competition from other exporting countries. It offers risk guarantees against defaults on payments due from foreign banks for privately financed export credit sales having terms of three years or less. Interest rates are commercial and are determined by private U.S. banks. This program will make available a total of \$2 billion in credit guarantees during FY 1981.

The \$670 million guarantee for Poland is the largest amount of CCC financing ever offered to a single country.

With these credit guarantees, it is anticipated that Poland will purchase about 4 million metric tons of feed grains, wheat, and soybeans during the 1980/81 marketing year. These purchases will be distributed approximately as follows:

| (in thousand metric tons) | |
|---------------------------|-------|
| feed grains | 2,900 |
| wheat | 300 |
| soybean meal | 600 |
| soybeans | 120 |
| soybean and linseed oil | 60 |

Varying quantities of other goods that Poland traditionally imports from the United States--such as cotton, tallow, tobacco, and rice--may also be imported with the credit made available.

A cold, wet summer has caused deterioration of the earlier optimistic crop prospects for Poland. Serious flooding during July contributed to these reduced prospects.

Grain production, now estimated at 19.5 to 20 million metric tons for this year, is likely to be 2 to 3 million tons above last year's very poor crop. Other important food and feed crops are not expected to be, on average, significantly different than last year's disappointing harvest. Potato production is expected to be 20 percent below the 1979 crop. Forage production has also suffered due to the excessively wet weather. Grain imports have trended sharply upward during the 1980's and can be expected to match or slightly exceed last year's level. Oilseeds and meal imports have also trended sharply upward during the 1970's but are expected to decline slightly from the last year's level due to the larger rapeseed crop.

Last year Poland imported 3.1 million metric tons of grains and about 700,000 tons of oilseeds and meals from the United States. Poland has recently ranked among the 12 to 14 top foreign markets for U.S. agricultural exports. Polish imports from the United States have been trending upward and are expected to continue large.

Total agricultural imports by Poland have been rising steadily in recent years. The U.S. share has also increased; that is, Polish agricultural imports from the U.S. have increased more rapidly than total imports. Imports from the U.S. now account for about 40-45 percent of total grain imports and about one-quarter of all agricultural imports. The importance to Poland of agricultural imports from the U.S. appears to be continuing to trend upward.

The United States has provided Poland financial assistance in the purchase of agricultural commodities for a number of years. Since 1964, the United States has given Poland short-term commercial credit under the Commodity Credit Corporation program. to Poland for the purchase of agricultural commodities: 1976/77--\$174 million; 1977/78--\$505 million; 1978/79--\$448 million; 1979/80--\$550 million; 1980/81--\$670 million.

Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

STATEMENT
by
Alex Mercure
Assistant Secretary of Agriculture
Before the Senate Committee on Agriculture
and Forestry
September 16, 1980

Mr. Chairman, we very much appreciate the opportunity to meet with you and your Committee to discuss the operation of our credit programs, and in particular those credit programs designed to deal with the current problems of drought and crop loss. I am accompanied by Deputy Secretary Jim Williams and by Howard Hjort, Director of Economics, Policy Analysis and Budget.

With your permission, Mr. Chairman, we want to make available the attached update of our reports on the effects of the current drought. That series was begun last summer at your request. It brings together the latest information we have on crop conditions in general, on pasture and range conditions, and on the outlook for the next crop season at this time.

I also have a number of copies of the Crop Production Report that was released Thursday, September 11.

We have three purposes here today. The first is to bring you information about the severity of the drought, and to answer your questions, if possible, about its current and future impacts as we now see them. The second is to describe very briefly the general situation with regard to the availability of credit for farm and agricultural operations. The third is to describe, and to discuss with you our programs of credit and how we expect that they will operate to meet this current situation. Farm Income and Financial Conditions

A classic paradox of farming is that when farmers face the best prices they have the worst crops and the least to sell. The last half of 1980 was marked by strengthening crop and livestock prices, partly caused by strengthening demand, but partly by the impact of the drought on farm production.

Drought-reduced production of feed grains, oilseeds, and cotton has prompted sharp price increases for these crops in July and August. Livestock and poultry prices also rose sharply in midsummer as meat production began to slip below first half record levels in response to financial losses earlier in the year.

Recent crop and livestock price increases have improved the income outlook for 1980 compared with forecasts earlier in the year. Total cash receipts during the second half of 1980 are currently expected to be 6 to 8 percent higher than last year with a 2 to 4 percent increase in livestock receipts and a 10 to 12 percent rise in receipts to crop producers. These are seasonally adjusted annual rates and are somewhat lower than the unadjusted levels we are projecting. Much of the impact on farm income from this summer's hot dry weather, however, will not be felt until 1981, when reduced stocks and continued strong demand will result in substantially higher farm income.

Although the overall farm income picture has improved somewhat, such gains are rarely shared uniformly. In general, livestock and poultry producers will not fare as well as crop producers this year. Cash receipts to milk producers are expected to be up a tenth in 1980, but receipts to cattle, hog, and poultry producers will be reduced because of depressed prices early in the year and sharply rising feed costs in the second half of the year. Many livestock producers in the drought areas from Texas through the Southeastern states and north through Arkansas, Missouri, and to the Northern Great Plains have suffered losses from slower rates of gain, death loss, and range feed shortages as well as higher feed grain prices resulting from crop losses.

Some crop producers will benefit substantially this year from record large 1979 crops now being sold at prices above a year ago. Cash receipts for corn, cotton, tobacco, wheat, and rice could climb 15 percent or more from 1979 levels. Soybean receipts, however, may only rise slightly.

Higher prices will not offset the lower yields of those farmers in drought areas, however. As of September 1, corn and soybean yields per acre this year are expected to be down 16 percent from 1979. Cotton yields are expected to be down 23 percent. Wheat yields, however, may be down only 4 percent as most of the wheat crop was harvested before the drought became severe. The September 11 Crop Production Report includes details of these forecasts.

Because of the drought, we expect there to be wider than normal differences in the income situation of crop producers by state and commodity produced. For example, estimates of per-acre corn yields in Missouri are only half of last year's level while yields in Michigan and Ohio are estimated to be better than 1979. Soybean yields in Missouri, Arkansas, Kansas, Georgia, and Mississippi are estimated to be reduced by more than a third from last year while yields in the northern and eastern Corn Belt are estimated to be almost as high as in 1979. Cotton producers in Texas, Louisiana, and Georgia may have yields reduced more than a third this year. The Crop Production Drought Reports have more specific details about these impacts.

On September 18, the Department will release a much more detailed Report on Farm Income for both 1979 and 1980. As a result, I will not go into further detail on farm income at this time. Credit

Some of the areas affected most by the drought are also those that had serious credit problems this spring. Those problems caused many farmers to not increase debt as fast as they might have otherwise. Some of them may thus have avoided debt repayment problems which are now being caused by the drought. Across the Nation, farm credit availability is much less of a problem now than it was last spring:

- Interest rates have declined dramatically from April peaks as shown in Table 1.
- Credit is generally more available than it was in the spring. The national average loan-to-deposit ratio at agricultural banks has dropped to 62 percent from a high of 68 percent earlier this year. Higher interest rates reduced demand for loans and increased bank deposits. This decline is not consistent with past seasonal trends where loan-to-deposit ratios normally increase until late fall--after harvest.

- Federal Reserve numbers indicate that several of the states that had the worst difficulties earlier this year--Minnesota, Iowa, North Dakota, South Dakota, Nebraska and Missouri--have had a significant increase in the availability of loans from commercial banks.
- The Farm Credit System's loans reflect the improvement in commercial bank liquidity. Growth in new loans at Production Credit Associations was only 9.8 percent in September as opposed to over 25 percent earlier this year.

What happens to interest and credit this fall and winter depends basically upon general economic trends. We now expect a moderate increase of 2 to 3 percentage points through next spring. We do not see a repeat of last spring's very high rates and tight credit supplies.

And, we believe overall credit availability should be sufficient to meet farmers needs through next spring. Agricultural commercial banks in the states shown in table 2 are more liquid than they have been in 2 to 3 years. Life Insurance Companies have shown renewed interest in farm real estate loans. The growth of loans at the Farm Credit System has moderated, so that they are not overburdened. Commodity Credit Corporation loans will be available to more farmers this year since there were no set aside programs for 1980 crop wheat or feed grains and, as a result, all producers of those crops are eligible for loan and reserve programs. Also, loan rates for wheat, feed grains and soybeans were recently increased significantly.

The areas hit hard by drought contrast sharply to the income and credit conditions of farmers in general. As of September 12, 1,456 counties in 25 states were designated as drought emergency counties. Every county in the states of Alabama, Arkansas, Kentucky, Missouri, North Dakota, Oklahoma, and Tennessee is now eligible for USDA drought emergency aid as are 153 of the 159 counties in Georgia. I want to focus today on the programs available to help meet problems of drought.

USDA has 6 key disaster aid programs. They include the disaster payments program which makes direct payments to producers of feed grains, wheat, and cotton whose yields are damaged by weather; the federal crop insurance program; the emergency conservation program; the emergency livestock feed program; and the two emergency loan

programs. It is too early in the harvest season for the disaster payments program to reflect the severity of the drought, however, payments of \$253 million have been made. The federal all-risk crop insurance program provides farmers insurance against crop losses. We estimate that about \$230 million will be paid in claims against 1980 crop losses.

The emergency conservation program and the emergency livestock feed programs are also available for specialized assistance. The Department has allocated \$24.8 million for conservation measures to overcome flood, tornado, volcanic ash and drought damage. An additional amount of about \$30 million will be used for emergency livestock feed, and the maximum assistance rate on that program was recently increased 50 percent to compensate for higher feed prices.

In addition to these programs, there are emergency loans. Thus far in FY 1980, the Farmers Home Administration has made over 95,000 emergency farm loans for about \$4.3 billion. Of this amount, \$2.2 billion was for disaster loans and \$2.1 billion for economic emergency loans.

You may be interested to know, Mr. Chairman, that Georgia farmers received 6,028 regular emergency loans for \$285.5 million and 1,056 economic emergency loans for \$63.1 million.

I want to go into the operation of our emergency loan programs in somewhat more detail. My purpose is to make the point that we have programs that will continue to provide important assistance to farmers who have lost income from the current, very serious drought situation. We now have new authority to refine our programs and we believe these authorities are adequate to do so. These programs will be far more effective in the future than they have been in the past.

Emergency Credit Program Operations

Mr. Chairman, recently passed P.L. 96-302 made it clear that the Farmers Home Administration is to be the Government agency primarily responsible for disaster loan assistance for farmers. In recent years the Small Business Administration and the Farmers Home Administration have had somewhat overlapping responsibilities for this assistance.

Pursuant to the amendments embodied in that law, USDA and the Small Business Administration are developing a memorandum of understanding that outlines very clearly the responsibilities of FmHA

and SBA with regard to disaster loans. I have attached a copy of our current draft memorandum of understanding and a table that shows the program similarities and differences for our FmHA and SBA programs. The key point in this context is that in the future, established farmers, ranchers, and agriculture operators, whether tenant operated or owner operated, will turn to FmHA for disaster loan assistance. Most other homeowners, businesses and nonprofit institutions will be eligible for physical disaster loan assistance from SBA.

However, the provisions of the new law and this agreement apply to disasters commencing on or after July 3, 1980. The current drought began before that time in most areas. As a result, we must deal with the current problems under the old program rules and not under the draft agreement I have just described.

This is a matter of some concern to both FmHA and SBA. It means that we cannot estimate with any certainty what our individual caseloads will be over the next several months. Frankly, we expect that many farmers eligible for Federal disaster loans will find it to their advantage to borrow from SBA rather than from FmHA.

Most farmers who cannot get credit elsewhere are eligible for either SBA or FmHA disaster loan assistance, if their loss began before July 3, 1980. For the amount of the actual loss, FmHA's rate of 5 percent is more favorable than the SBA 8 percent rate, that was in effect at the time the drought began and applies to SBA loans until the new rules go into effect. However, FmHA borrowers who need additional loan amounts for related purposes must pay about 13 percent. SBA's rate applies to both actual loss and additional amounts. For many farmers, the total interest paid for their total credit needs will be significantly less under SBA's program compared to terms and conditions now available from the Farmers Home Administration.

Until now, farmers who can get credit elsewhere have not been eligible for FmHA loans. As soon as P. L. 96-302 can be implemented, such farmers will be eligible for FmHA actual loss loans at a cost of money formula rate. Such applicants will not be served by SBA unless they are not eligible for assistance by FmHA.

We are taking another important step. We are mobilizing our staff resources to meet the expanded workload we expect from this situation. We are putting together teams of specialists to help us make the loans

eligible farmers need.

State Directors are identifying knowledgeable, experienced loan specialists who know farmers and agricultural lending. We expect that many of these will be retired, former employees of Farmers Home Administration. This team will provide a cadre of qualified people to process and/or service emergency loans in areas that suffer sudden, widespread disasters such as flooding, a hurricane or tornado. And it will also be available to help in the present and future drought emergency situation.

We intend to provide help to farmers whenever they are eligible. But we intend to provide it in such a manner that will result in financially stronger farms, not weaker farmers.

The Farmers Home Administration very carefully counsels its borrowers. Loan applications are reviewed on a case-by-case basis. If a farmer has a reasonable chance of making it, we will stay with the farmer even if all the farmer's payments cannot be met in a particular year. We have authority to do that, and we will use it. But, Farmers Home Administration will provide loans only where the assistance will improve and not aggravate the financial position of its clients.

It has been said that a loan well made is a loan half paid. That's sound philosophy, and I endorse it strongly.

Making critical case-by-case reviews and appraisals calls for a lot of talent, skill, tact and compassion on the part of the loan maker. We are extremely fortunate in having just such a cadre of people on the USDA payroll, working in over 1900 county offices across the land.

As you know, Mr. Chairman, your committee has provided authority to extend as much credit as is needed under the disaster emergency program. As with most good things, that program has been abused on occasion in the past. But a number of administrative changes have been adopted to prevent a recurrence and to ensure that loans go to those in actual need, and so that scarce manpower resources are not spent unnecessarily on those not in need and not qualified to borrow.

The economic emergency program, first enacted in 1978 and extended this year, has also played a part in meeting the credit needs of farmers subjected to damaging climate and market conditions beyond their control.

The provisions of the Economic Emergence Program, contained in Title II of the Agricultural Credit Act of 1978, authorized loans of up to \$400,000 in FmHA insured or guaranteed loans to permit a borrower to continue farming operations, pay certain installments of principal and interest due on real estate debt, refinance existing debts incurred from ongoing operations, change or reorganize farming operations so they will become economically viable, or pay operating expenses. EE funds also may be used to refinance certain debts, develop farmland and improve farm service buildings. However, EE funds may not be used to buy additional land.

Such loans are available to individual farmers and ranchers, and to corporations, partnerships and cooperatives. Preference is given to family farm operations--those in which the primary operation and management is done by the farm family.

In addition, FmHA has authority to consolidate, reschedule, or defer loans for operating purposes or for annual recurring expenses if necessary to help a farmer who has run into some problems getting back on an orderly repayment schedule. This will be a key provision in helping farmers overcome the ravages of drought and hot weather.

The USDA goal is to help farmers stay with their normal source of credit. We are encouraging the use of guaranteed loans. This will allow local lending institutions to participate in the total farm rehabilitation process. It makes it possible for rural bankers to tap outside, secondary markets through the sale of the guaranteed portion of the loan, and it expands the total credit resources available to other borrowers in the area.

We will continue to rely on close personal supervision and individual counseling of borrowers, and we are prepared, where in our judgment it would be helpful in the long run to defer installments on debt for up to three years, and to continue reamortizing loans up to the 40-year maximum term authorized, when real estate is available to secure such loans. We will do this when a careful individual review indicates that it will help the borrower get back on his feet. We believe this approach is superior to an across-the-board loan moratorium that would apply to farmers regardless of need and regardless of potential.

We are making one other significant change. This change has been suggested by a number of farmers, including some from your state, Mr.

Chairman. Using existing authority, I have directed the Administrator of the Farmers Home Administration to more fully utilize the services of County Committees in making and servicing farm loans. FmHA County Committees presently determine applicants' eligibility for farm loans. In the future, we will use the expertise of these Committees at a much earlier stage in dealing with potential "problem" cases. Committees will make recommendations and certifications in connection with certain debt settlement and liquidation actions. Committees will also participate to a greater extent in advising on numerous other actions, including, servicing loans, handling delinquent and problem cases, and recommending borrower graduation.

The experience and judgment of County Committeemen members are excellent resources and they have long contributed to the successful administration of FmHA farm loan programs. We intend to use these Committees more than we have in the past.

As I said, we do not need new legislative authority to provide the kind of assistance farmers need this year, nor do we need new legislative authority to hire the people we need to deal with the current problem. We do recognize that the increased caseload we now expect will increase our need for staff in the future to service these loans. We will continue to evaluate that need in the course of future requests for salary and expense funds and for staff positions.

Mr. Chairman, this concludes my statement. I'll be glad to respond if there are any questions.

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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement prepared for delivery by Secretary of Agriculture Bob Bergland at a signing ceremony for the Amendment to U.S.-Mexico Agreement for the Supply of Agricultural Products, Mexico City, Mexico, September 18, 1980

Mr. Secretary, I am honored today to represent the Government of the United States at the signing of this amendment to the Agreement for the Supply of Agricultural Products.

I feel on this occasion we should establish for the record precisely what this agreement represents, not only in terms of the volume and value of trade, but in terms of future cooperation between our producers and our two countries.

We have only to review events of the past 8 months to understand the great potential we possess for mutually beneficial trade. We have only to review recent history to understand that we need each other.

Last January 16 in Washington, D.C., the Governments of Mexico and the United States signed the Agreement for the Supply of Agricultural Products. With that signing we established the basis for Mexican purchases of U.S. agricultural commodities this year. We gave Mexico supply access guarantees which are unique among our traditional trading policies. Together, we have entered what we hope will be a long age of prosperous trade and cooperation.

Since the January agreement, total Mexican purchases of U.S. agricultural commodities in 1980 have increased significantly. You came to us at a time when drought and frost had cut into your production. And we were there. At the same time the sale of almost 10 million tons of U.S. agricultural products to Mexico this year has been of great importance to our farmers.

I can assure you today that the United States will continue to be a dependable supplier of agricultural commodities to Mexico as long as the need exists.

As a result of the agreement, both countries have worked hard to resolve the difficulties affecting the movement of commodities across the border. We have succeeded in streamlining bureaucratic obstacles. Shipments which just one year ago were averaging 200,000 tons a month, are now approaching the one-million-ton mark.

The agricultural systems of this earth are bound together by common problems. An arable land base, diminishing water supplies, and the difficulties of irrigation are not confined by political structures. The weather--your drought and frost in 1979 and our drought this year--does not recognize national boundaries. Countries around the globe face issues of agricultural productivity, credit, mounting farming costs, insurance, and income support.

Our problems are not unique to ourselves. So let us share our strengths and our resources. Then let us share in the resulting benefits.

We do not need to note the success of the January agreement with words. We are marking that success today by formalizing still greater increases in trade.

If the January agreement set forth our recognition of mutual benefit accruing from cooperation, today we reaffirm that recognition. Mexico and the United States have developed one of the largest and fastest-growing commercial relations between any two trading partners in history.

If the January agreement opened trade in 1980, today we increase that trade and establish a basis for cooperation into 1981 and beyond.

Our mutual prosperity depends on our individual well-being. The Government of the United States wishes the Government of Mexico great success with its *Systema Agricultura Mexicana* and looks forward to working with Mexico for the common good.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA PROPOSES REMOVAL OF FORMER FEDERAL CROP INSURANCE MANAGER

WASHINGTON, Sept. 11--Winston L. Wilson, deputy under secretary of agriculture for commodity programs, today proposed the removal of James D. Deal, former manager of the U.S. Department of Agriculture's Federal Crop Insurance Corporation (FCIC), for allegedly engaging in prohibited or improper personnel practices.

The proposed removal was initiated after the Office of Personnel Management disapproved Deal's request for disability retirement.

Deal has 10 days to respond to the proposed removal. If a final decision is made to implement the proposal, the decision will be effective in not less than 30 days, Wilson said.

Proposals for removal were made earlier for W. Otto Johnson, deputy manager of FCIC, and Roy L. Alton, assistant manager for administrative management. A separate action proposing the removal of Matthew B. Richter, FCIC personnel director, was made earlier. The actions in the Johnson and Richter cases are pending; Alton subsequently retired.

Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

SICK BIRDS REPORTED IN 14 STATES

WASHINGTON, Sept. 11--Pet shops and bird dealers in 14 states receiving shipments from Pet Farm, Inc.--the Miami, Fla., pet bird wholesaler where exotic Newcastle disease has been diagnosed--have reported sick or dead birds in recent weeks.

These reports, according to a U.S. Department of Agriculture veterinarian, have come from Florida, Minnesota, Louisiana, Kentucky, Hawaii, Oregon, Arizona, Alabama, Pennsylvania, West Virginia, Ohio, Delaware, Illinois and Missouri. Test samples from these shops are now at the USDA animal disease diagnostic laboratory in Ames, Iowa. Results of the tests are not yet available, said Jerry Mason, chief of national emergency field operations for USDA's Animal and Plant Health Inspection Service.

According to Mason, Pet Farm, Inc., shipped more than 22,000 birds since Aug. 1 to at least 322 stores in 33 states, the District of Columbia, the U.S. Virgin Islands, Canada and the Bahamas.

"Many of these birds have been in contact with other birds, so we may have more than half a million exotic birds involved in this outbreak," Mason said.

Federal veterinarians in all affected states--and animal health officials in foreign countries--have been notified of all shipments. APHIS investigators will be working with state officials to track down all possibly infected birds, Mason said. USDA will buy all birds shipped from Pet Farm, Inc., and destroy them. Contact birds will be quarantined, tested and observed. If no infection is found, birds will be released from quarantine as soon as possible. Birds on infected premises will be destroyed and their owners will be paid indemnities, Mason said.

"We have no plans at this time to stop the importation of exotic birds," Mason said. "However, I caution all bird owners, especially

those who bought birds since Aug. 1, to contact their private veterinarian if their birds become sick.

"Exotic Newcastle disease is a foreign disease of poultry and other birds and would have a disastrous effect on the poultry industry if it were to become established in the United States," he said. "The strain of virus found at the Miami wholesaler appears to be especially deadly. The disease is not considered a health hazard to humans, although some people handling diseased birds may be affected with eye infections or flu-like symptoms, which should be treated by a physician.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

SEPTEMBER WORLD CROP PROSPECTS MOSTLY UNCHANGED

WASHINGTON, Sept. 11--The U.S. Department of Agriculture released its September estimate of crop prospects for the world and the United States, making little change in its world grain production estimate, but lowering estimates of world oilseed and cotton production. The official USDA estimates also showed a tighter supply situation for grains, oilseeds and cotton in the United States.

World grain production in 1980/81 is forecast at 1,561 million tons--up 2 percent from the 1979/80 harvest. Of that, world wheat production is forecast at 448 million tons--up 7 percent from last year and about equal to the 1978 record; world coarse grain production is forecast at 721 million tons--1 percent below 1979/80; world rice production is forecast at a record 392 million tons--5 percent larger than 1979/80.

Howard W. Hjort, director of economics, policy analysis and budget, speaking in a press briefing said the September crop estimates reflect improved prospects in Western Europe and Canada, no change in the Soviet grain estimate, but some deterioration in U.S. and Chinese crop prospects.

World oilseed production is forecast at 164 million tons, down from 176 produced in 1979/80 and 3 million less than last month's estimate. Hjort said the major downward revision in output is largely due to lower U.S. production estimates; foreign production showed only slight decreases.

Global cotton production is forecast at 63.4 million bales--down 1.5 million bales from the August estimate and more than 2 million bales less than 1979/80 production. Again, Hjort said, much of the reduction is attributable to reduced crop prospects in the United States but also in China.

Hjort said the hot, dry conditions affecting many areas of the United States in July and August can be blamed for reduced output--especially for the spring-planted crops. He said spring-planted crops are presently projected to produce 323 million tons--down 54 million tons from 1979 production. On the other hand, fall-planted crops are forecast to rise 5 percent above 1979 production to reach 51 million tons. Total production for the major crops is forecast at 320 million tons--down 47 million tons from 1979.

The September crop report showed corn production at 6.53 billion bushels (166 million tons)--down 16 percent from 1979; sorghum production at 547 million bushels (14 million tons)--down a third from last year; barley production at 351 million bushels (7.6 million tons)--down 8 percent from 1979; and oat production at 450 million bushels (6.5 million tons)--down 16 percent from last year. Total feed grain production is thus expected to fall 17 percent from the abnormally high 1979 production levels. Soybean production is forecast at 1.83 billion bushels (6.4 million tons)--down 19 percent from the 1979 record.

Production of all types of wheat is forecast at a record high 2.35 billion bushels (64 million tons)--10 percent higher than 1979. U.S. food grain production is expected to be 9 percent higher than 1979. Cotton production, forecast at 11.7 million bales, shows a 20 percent decline in production from last year and a 9 percent decline from the August estimate. Hjort said this was largely due to the hot, dry conditions in the southwest cotton growing regions.

"We believe the September crop report accounts for most of the damage caused by the drought conditions of August. At the present time, this drought has mostly broken, except in some parts of the South," Hjort said. "We are now at a stage in our production cycle where drought can do little additional damage and where greatest threat to crops will come from frost."

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA CALLS FOR COMMENTS ON 1981 FEED GRAINS, SOYBEAN PROGRAMS

WASHINGTON, Sept. 12--Deputy Secretary of Agriculture Jim Williams today asked the public to comment by Oct. 27 on proposal for the 1981 feed grain and soybean programs.

By Nov. 15, a decision must be made on whether to offer a set-aside program or to permit farmer to be eligible for program benefits--including the reserve program--without setting aside acreage, Williams said.

In particular, Williams said, USDA is seeking comments on reserve release and call prices which are based on production costs and adjusted either by increasing the national average loan price or increasing the gap between loan and reserve prices.

Under new authorities granted under the Agricultural Adjustment Act of 1980, the current cost of production estimates may be considered in determining 1981 target prices. In the past, changes in target prices were based upon a formula considering only prior year's costs, Williams said.

Because of these new authorities, Williams said, USDA is asking for comments on how 1981 target prices should be adjusted from 1980 levels and whether producers should be required to comply with established farm normal crop acreages to be eligible for full program benefits.

Williams said USDA also is asking whether barley and oats should be include in 1981 feed grain program, and appropriate loan and purchase prices for corn, sorghum, barley, oats and rye.

In addition, public comment is requested on whether there should be a land diversion program, and if so, the size of the diversion and level of payment. Comment are also requested on limitations on planted acreage, Williams said.

If a set-aside program is implemented, USDA has discretionary authority to adjust the target price to compensate producers for participating in such a program, Williams said. Comments are requested on whether this authority should be used and the magnitude on any adjustment.

“Because of the relationship between soybeans and feed grains, we are also seeking public comments on appropriate loan price and purchase price levels for 1981 crop soybeans. Other determinations affecting soybeans include commodity eligibility, storage requirements and premiums and discounts,” Williams said.

Related to these program decisions are determinations on the amount of the national program acreage and recommended reductions from 1980 harvested acreage for full target price protection.

Williams said while USDA is required by law to announce set-aside, national program acreage and recommended reductions in plantings decisions by Nov. 15, the department may announce program decisions before that time.

Before reaching any decisions, all recommendations and views will be considered along with the best data available on world and U.S. crop conditions, production and consumption prospects, he said.

Written comments will be received until Oct. 27 by the director, production adjustment division, ASCS, USDA, room 3630-s, P.O. Box 2415, Washington, D.C., 20013. All comments will be available for public inspection during regular business hours.

The notice of the Oct. 27 comment period will appear in next week's Federal Register. The original notice calling for comments on the program was published in the Sept. 9 Federal Register.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA TO TERMINATE BEEKEEPER INDEMNITY PAYMENT PROGRAM

WASHINGTON, Sept. 12--The U.S. Department of Agriculture's beekeeper indemnity payment program will be terminated Oct. 9, according to Ray Fitzgerald, administrator of USDA's Agricultural Stabilization and Conservation Service.

"We are taking this action because of the limited scope of the program and its lower budgetary priority contributing to its relatively ineffectiveness," Fitzgerald said.

The program--which had been in effect since June 1971--provided for federal indemnity payments to beekeepers whose bees were killed by insecticides approved for use by the government.

Announcement of the proposal to terminate the program was made on April 4. Interested parties had until June 12 to submit comments. Notice of termination appeared in the Sept. 9 Federal Register.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA ANNOUNCES CONTINUING STUDY ON NITRITE

WASHINGTON, Sept. 16--Because of the continuing controversy surrounding the regulation of sodium nitrite in the food supply, the U.S. Department of Agriculture will under take a study of the procedures used to evaluate research on toxic substances in foods, Assistant Secretary of Agriculture Carol Tucker Foreman said today.

"The Challenge to the regulatory agencies is to fashion the type of review procedures that will provide the confirmation necessary for regulatory action," Foreman said in testimony prepared for delivery before the house Committee on Agriculture. "This challenge is not one that is confined to USDA and the Food and Drug Administration. I think it is one of the most difficult tasks facing every health regulatory agency."

Requests for contract bids on the study will be published by mid-October, Foreman said.

"USDA also contracted with the National Academy of Sciences on Sept. 11 to review existing data on nitrite and to recommend approaches for future research on nitrite and possible alternatives," Foreman said. "Information on potential alternatives will be sought from both private industry and the federal government.

"We have taken regulatory action to deal successfully with the problem of preformed nitrosamines in bacon, but the possibility still exists that nitrosamines can be formed through the combination of nitrites with amines and amides in the human digestive tract," Foreman said.

"For this reason alone, the use of nitrite as an added substance in our food supply will continue to be a matter of significant concern to the agencies under existing law," she said.

USDA is spending \$2 million in 1980 on nitrite alternative research and will spend the same amount in 1981, she said.

"There is little wisdom in having an entire industry and one-tenth of the nation's food supply dependent on the use of a single food additive," Foreman said. "If that substance is thrown into question, then there is nowhere else to turn."

Foreman and FDA Commissioner Jere Goyan testified today before the house Agriculture Committee oversight hearings on recent government actions dealing

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Note: The full text of Assistant Secretary Foreman's testimony will be printed in the next edition of this publication.

